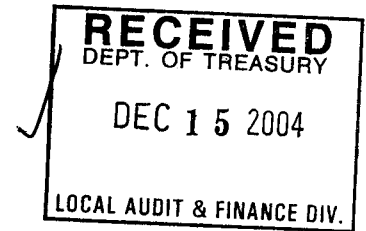


14-1050

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2004**



# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Marcellus Township</b>	County <b>Cass</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>11/23/04</b>	Date Accountant Report Submitted to State: <b>12/14/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* revised 2004.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<b>XX</b>		
Reports on individual federal financial assistance programs (program audits).			<b>XX</b>
Single Audit Reports (ASLGU).			<b>XX</b>

Certified Public Accountant (Firm Name) <b>Campbell, Angle, &amp; Steffes, P.C.</b>			
Street Address <b>428 Water Street</b>	City <b>Allegan</b>	State <b>MI</b>	ZIP <b>49010</b>
Accountant Signature <i>Campbell Angle &amp; Steffes P.C.</i>			

# **TOWNSHIP OF MARCELLUS**

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## INDEPENDENT AUDITOR'S REPORT

November 23, 2004

To the Township Board  
Township of Marcellus  
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Marcellus, Cass County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marcellus Township, Cass County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

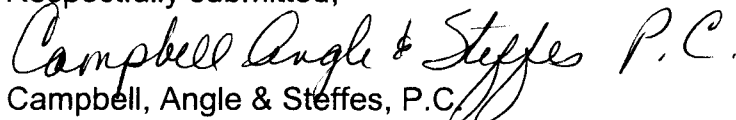
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Marcellus as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments, as of June 30, 2003.

The management's discussion and analysis and budgetary comparison information on page 2 and 3, and 25 through 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

  
Campbell, Angle & Steffes, P.C.  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS MARCELLUS TOWNSHIP, CASS COUNTY**

### **Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a long-term view of the Township finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government wide financial statements.

### **The Township as a Whole**

The Township's combined net assets increased from \$264.2 to \$359.6 thousand, a 36% increase from that of last year. This is a result, in part, to increased tax revenues, timing of various special revenue fund projects (millages), and the sale of some assets (cemetery equipment).

Net assets continue to remain healthy. There was an increase in the collection of delinquent personal property taxes. A comprehensive review of property assessments in all districts was completed, resulting in increased assessments in many cases. Otherwise, there were no significant changes in the tax base or tax abatements granted. The business economy in the Township remained stable. As a result, net assets grew by \$95.4 thousand.

### **Government Activities**

The principal changes in fund balances were due to the collection of voted millages as well as real and personal property taxes. Voted mills for fire and ambulance operations, road maintenance, and police services are restricted to their specific purposes.

In addition, there are voted funds for maintenance, operation, and debt reduction of the Library and Hudson Memorial Building. The administration for each of these funds is accomplished through a separate, elected Board of Directors.

### **The Township's Funds**

The report of the Township's major funds and the accompanying notes are enclosed with this report. The governmental balance sheet and financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific, restricted purposes as well as to show accountability for certain activities, such as special millages. The Township's major funds for the year include the General Fund, Road Fund, Fire and Ambulance Fund and Police Fund.

The General Fund pays for most of the Township's general governmental services, as well as support the special revenue tax millages to cover fire, ambulance and police services. The Road Fund continued to have the largest fund balance of \$124.5 thousand. This is due to timing of payment for roadwork as well as a deliberate effort of the Township Board to build a reserve of funds for future, more costly roadwork, such as upgrading gravel roads to pavement.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

### **MARCELLUS TOWNSHIP, CASS COUNTY**

#### **General Fund Budgetary Highlights**

The most significant variance in anticipated vs. actual revenues was in the area of Miscellaneous Revenues. This was due, for the most part, to improved collections of delinquent real and personal property taxes. This resulted in total revenues \$7,189 over budget.

Overall, expenditures in Township departments stayed at or below anticipated budget. This resulted in total expenditures \$6,939 below budget. This allowed the General Fund's fund balance to increase from \$59,806 to \$66,034, a 10% increase from that of last year.

#### **Outlook for the Coming Year**

During the 2003-2004 fiscal year, no long-term debt was incurred and no commitments for capital expenditures were made. In addition, the Library Building Fund debt was completely paid off during the year, leaving no outstanding debt coming into the new year. Therefore, there should be no change in credit rating or debt limitation.

Barring any unforeseen or catastrophic economic events, the financial position of Marcellus Township should remain stable for the ensuing year. We continue to closely monitor the State budget deficit projections and their potential impact on local municipalities, such as further reductions in revenue sharing. Nevertheless, we should be able to continue the provision of services at current levels regardless of any anticipated reductions in this area.

#### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances as well as to show the Township's accountability for the money it receives. Copies of the financial report are available through the Township clerk. If you have any questions or need further information, please contact the clerk or attend Township Board meetings which are held on the third Tuesday of each month beginning at 7:00 p.m.

**TOWNSHIP OF MARCELLUS**  
**GOVERNMENT WIDE STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Total</u>	<u>Component Units</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 278,019	\$ 278,019	\$ 111,787
Investments	0	0	0
Receivables - net	69,098	69,098	1,886
Prepays	4,481	4,481	0
Capital assets - net	<u>63,731</u>	<u>63,731</u>	<u>424,084</u>
 Total Assets	 <u>415,329</u>	 <u>415,329</u>	 <u>537,757</u>
 <b>LIABILITIES</b>			
Accounts payable	26,352	26,352	3,776
Accrued and other liabilities	29,423	29,423	0
Noncurrent Liabilities			
Due within one year	0	0	0
Due in more than one year	<u>0</u>	<u>0</u>	<u>0</u>
 Total Liabilities	 <u>55,775</u>	 <u>55,775</u>	 <u>3,776</u>
 <b>NET ASSETS</b>			
Invested in Capital Assets			
Net of related debt	63,731	63,731	424,084
Restricted For			
Streets and highways	124,519	124,519	0
Public safety	105,270	105,270	0
Culture & recreation	0	0	109,897
Debt service	0	0	0
Unrestricted	<u>66,034</u>	<u>66,034</u>	<u>0</u>
 Total Net Assets	 <u>\$ 359,554</u>	 <u>\$ 359,554</u>	 <u>\$ 533,981</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2004**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			Component Units
				Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>							
General government	\$ 147,738	\$ 14,560	\$ 0	\$ 0	\$ (133,178)	\$ 0	\$ 0
Public safety	140,603	0	0	0	(140,603)	0	0
Public works	33,313	0	0	0	(33,313)	0	0
Community/Economic development	1,186	0	0	0	(1,186)	0	0
Recreation and culture	0	0	0	0	0	0	0
Total Governmental Activities	322,840	14,560	0	0	(308,280)	0	0
Total Primary Government	\$ 322,840	\$ 14,560	\$ 0	\$ 0	(308,280)	0	0
<b>Component Units</b>							
Library Fund	\$ 87,705	\$ 6,804	\$ 3,650	\$ 0	0	0	(77,251)
Hudson Memorial Building	23,516	1,425	45	0	0	0	(22,046)
Total Component Units	\$ 111,221	\$ 8,229	\$ 3,695	\$ 0	0	0	(99,297)
<b>General Revenues</b>							
Property taxes					282,226	0	282,226
State-shared revenues					115,196	0	115,196
Unrestricted investment earnings					1,189	0	1,189
Franchise fees					0	0	0
Miscellaneous & Penal fines					6,238	0	6,238
Gain on sale of assets					2,414	0	2,414
Transfers					(3,671)	0	(3,671)
Total General Revenues-Special Items and Transfers					403,592	0	403,592
Change in Net Assets					95,312	0	95,312
Net Assets-Beginning					264,242	0	264,242
Net Assets-Ending					\$ 359,554	\$ 0	\$ 359,554
							\$ 533,981

The Notes to Financial Statements are an integral part of this statement.



**TOWNSHIP OF MARCELLUS**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**June 30, 2004**

	General Fund	Road Fund	Fire and Ambulance Fund	Police Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 62,357	\$ 120,458	\$ 48,240	\$ 46,964	\$ 0	\$ 278,019
Investments	0	0	0	0	0	0
Receivables - net	35,728	0	0	0	0	35,728
Due from other funds	1,792	4,061	782	20,711	6,024	33,370
Prepays	4,481	0	0	0	0	4,481
Total Assets	<u>104,358</u>	<u>124,519</u>	<u>49,022</u>	<u>67,675</u>	<u>6,024</u>	<u>351,598</u>
<b>LIABILITIES</b>						
Accounts payable	8,901	0	0	17,451	0	26,352
Due to other funds	<u>29,423</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,423</u>
Total Liabilities	<u>38,324</u>	<u>0</u>	<u>0</u>	<u>17,451</u>	<u>0</u>	<u>55,775</u>
<b>FUND BALANCES</b>						
Reserved for						
Road projects	0	124,519	0	0	0	124,519
Public safety	0	0	49,022	50,224	6,024	105,270
Debt service	0	0	0	0	0	0
Unreserved	<u>66,034</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,034</u>
Total Fund Balances	<u>\$ 66,034</u>	<u>\$ 124,519</u>	<u>\$ 49,022</u>	<u>\$ 50,224</u>	<u>\$ 6,024</u>	<u>\$ 295,823</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Net Assets of Governmental Activities

63,731  
\$ 359,554

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**June 30, 2004**

	General Fund	Road Fund	Fire and Ambulance Fund	Police Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes and penalties	\$ 64,910	\$ 46,434	\$ 47,769	\$ 74,433	\$ 48,680	\$ 282,226
Licenses and permits	0	0	0	0	0	0
State aid	111,265	3,298	0	0	633	115,196
Charges for services	14,560	0	0	0	0	14,560
Interest and rentals	510	489	190	0	0	1,189
Other revenue	5,644	4,294	0	0	0	9,938
<b>Total Revenues</b>	<b>196,889</b>	<b>54,515</b>	<b>47,959</b>	<b>74,433</b>	<b>49,313</b>	<b>423,109</b>
<b>Expenditures</b>						
Current						
General government	144,633	0	0	0	0	144,633
Public safety	0	0	89,990	50,613	0	140,603
Public works	0	33,313	0	0	0	33,313
Recreation and cultural	0	0	0	0	0	0
Community/Economic development	1,186	0	0	0	0	1,186
Debt service	0	0	0	0	45,501	45,501
Capital outlay	2,895	0	0	0	0	2,895
<b>Total Expenditures</b>	<b>148,714</b>	<b>33,313</b>	<b>89,990</b>	<b>50,613</b>	<b>45,501</b>	<b>368,131</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>48,175</b>	<b>21,202</b>	<b>(42,031)</b>	<b>23,820</b>	<b>3,812</b>	<b>54,978</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	0	0	41,947	0	0	41,947
Transfers (out)	(41,947)	0	0	0	(3,671)	(45,618)
<b>Total Other Financing Sources (Uses)</b>	<b>(41,947)</b>	<b>0</b>	<b>41,947</b>	<b>0</b>	<b>(3,671)</b>	<b>(3,671)</b>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>6,228</b>	<b>21,202</b>	<b>(84)</b>	<b>23,820</b>	<b>141</b>	<b>51,307</b>
Fund Balance as originally stated	49,510	113,613	49,106	26,404	5,883	244,516
Prior Period adjustment	10,296	(10,296)	0	0	0	0
Fund Balance restated July 1, 2003	59,806	103,317	49,106	26,404	5,883	244,516
Fund Balance June 30, 2004	<u>\$ 66,034</u>	<u>\$ 124,519</u>	<u>\$ 49,022</u>	<u>\$ 50,224</u>	<u>\$ 6,024</u>	<u>\$ 295,823</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**FIDUCIARY FUNDS-STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

	<u>Trust &amp; Agency Funds</u>			
	<u>Perpetual Care Cemetery Fund</u>	<u>Tax Collection Current</u>	<u>Tax Collection Delinquent</u>	<u>Total</u>
<b>ASSETS</b>				
Cash & cash equivalents	\$ 18,083	\$ 0	\$ 8,594	\$ 26,677
Delinquent tax receivable	0	0	28,043	28,043
Allowance for doubtful accounts	0	0	(7,554)	(7,554)
Due from other funds	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>18,083</u>	<u>0</u>	<u>29,083</u>	<u>47,166</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
Due to other funds	0	0	5,833	5,833
Due to other governmental units	0	0	23,250	23,250
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,083</u>	<u>\$ 29,083</u>
<b>NET ASSETS</b>				
Held in trust for cemetery care	<u>\$ 18,083</u>			<u>\$ 18,083</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**FIDUCIARY FUNDS-STATEMENT OF CHANGES IN NET ASSETS**  
**JUNE 30, 2004**

	<u>Perpetual Care Cemetery Fund</u>
<b>ADDITIONS</b>	
Investment Income	
Interest	\$ -
Total Investment Income	-
Total Additions	-
<b>DEDUCTIONS</b>	
Other Deductions	
Cemetery care	-
Total Deductions	-
Change in Net Assets	-
Net Assets-Beginning of the Year	18,083
Net Assets-End of the Year	<u>\$ 18,083</u>

The fiduciary fund's cemetery certificates of deposit earns approximately \$1,400 in interest annually. This revenue is to be used for general cemetery care and maintenance. These revenues and offsetting expenses are included in the General Fund.

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**STATEMENT OF NET ASSETS-COMPONENT UNITS**  
**JUNE 30, 2004**

	Wood Memorial Library	Hudson Memorial Building	Total Component Units
<b>ASSETS</b>			
Cash and cash equivalents	\$ 65,293	46,494	\$ 111,787
Investments	0	0	0
Receivables (net)	1,357	529	1,886
Capital assets - net	<u>330,939</u>	<u>93,145</u>	<u>424,084</u>
Total Assets	<u>\$ 397,589</u>	<u>\$ 140,168</u>	<u>\$ 537,757</u>
<b>LIABILITIES</b>			
Accounts payable	3,776	0	3,776
Accrued and other liabilities	0	0	0
Noncurrent liabilities			
Due within one year	0	0	0
Due in more than one year	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 3,776</u>	<u>\$ 0</u>	<u>\$ 3,776</u>
<b>NET ASSETS</b>			
Invested in capital assets - net of relate	330,939	93,145	424,084
Restricted for			
Library services	62,874	47,023	109,897
Cultural/Community facility			
Unrestricted	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Assets	<u>\$ 393,813</u>	<u>\$ 140,168</u>	<u>\$ 533,981</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**STATEMENT OF ACTIVITIES-COMPONENT UNITS**  
**YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net		
					Wood Memorial Library	Hudson Memorial Building	Total
<b>Wood Memorial Library</b>							
Cultural and recreation	\$ 87,705	\$ 6,804	\$ 3,650	\$ 0	\$ (77,251)	\$ 0	\$ (77,251)
<b>Hudson Memorial Building</b>							
Cultural and recreation	23,516	1,425	45	0	0	(22,046)	(22,046)
Total Primary Government	<u>\$ 111,221</u>	<u>\$ 8,229</u>	<u>\$ 3,695</u>	<u>\$ 0</u>	<u>(77,251)</u>	<u>(22,046)</u>	<u>(99,297)</u>
<b>General Revenues</b>							
Property taxes					49,508	24,309	73,817
State aid					7,134	0	7,134
Unrestricted investment earnings					1,357	1,494	2,851
Miscellaneous, fines & forfeit					21,273	0	21,273
Transfers					3,671	0	3,671
Total General Revenues					<u>82,943</u>	<u>25,803</u>	<u>108,746</u>
Change in Net Assets					<u>5,692</u>	<u>3,757</u>	<u>9,449</u>
Net Assets-Beginning					388,121	136,411	524,532
Net Assets-Ending					<u>\$ 393,813</u>	<u>\$ 140,168</u>	<u>\$ 533,981</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS  
COMPONENT UNIT BALANCE SHEET  
JUNE 30, 2004**

	<u>Wood Memorial Library</u>	<u>Hudson Memorial Building</u>	<u>Total Component Units</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 65,293	\$ 46,494	\$ 111,787
Investments	0	0	0
Due from other funds	<u>1,357</u>	<u>529</u>	<u>1,886</u>
Total Assets	<u>66,650</u>	<u>47,023</u>	<u>113,673</u>
<b>LIABILITIES</b>			
Accounts payable	3,776	0	3,776
Due to other funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>3,776</u>	<u>0</u>	<u>3,776</u>
<b>FUND BALANCES</b>			
Reserved For			
Library services	62,874	0	62,874
Cultural/Community facility	0	47,023	47,023
Unreserved	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$ 62,874</u>	<u>\$ 47,023</u>	\$ 109,897
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			<u>424,084</u>
Net Assets			<u>\$ 533,981</u>

The Notes to the Financial Statements are an integral part of this statement.

**TOWNSHIP OF MARCELLUS**  
**COMPONENT UNIT STATEMENT OF REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**YEAR ENDED JUNE 30, 2004**

	Wood Memorial Library	Hudson Memorial Building	Total Component Units
<b>Revenues</b>			
Taxes and penalties	49,508	24,310	73,818
State aid	7,134	0	7,134
Contributions	0	0	0
Charges for services	0	0	0
Interest and rentals	1,357	2,919	4,276
Other revenue, fines & forfeit	31,727	45	31,772
<b>Total Revenues</b>	<u>89,726</u>	<u>27,274</u>	<u>117,000</u>
<b>Expenditures</b>			
Current			
Library services	63,246	0	63,246
Cultural/Community services	0	18,374	18,374
Capital outlay	25,184	15,243	40,427
<b>Total Expenditures</b>	<u>88,430</u>	<u>33,617</u>	<u>122,047</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>1,296</u>	<u>(6,343)</u>	<u>(5,047)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	3,671	0	3,671
Transfers (out)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>3,671</u>	<u>0</u>	<u>3,671</u>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses</b>	4,967	(6,343)	(1,376)
Fund Balance-July 1, 2003	<u>57,907</u>	<u>53,366</u>	<u>111,273</u>
Fund Balance-June 30, 2004	<u><u>\$ 62,874</u></u>	<u><u>\$ 47,023</u></u>	<u><u>\$ 109,897</u></u>

The Notes to Financial Statements are an integral part of this statement.



**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Marcellus, Cass County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Marcellus conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. The Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

**Component Units**

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

**Discretely Presented Component Units**

The component units' columns in the combined financial statements include the financial data of the Township's two component units. Those units are reported in a separate column to emphasize that they are legally separate from the Township, but for which the Township is financially accountable, or its' relationship with the Township is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

The Hudson Memorial Building, which is established pursuant to the Community Center Act (MCL 123.41), is governed by a 6-member Board of Directors elected by the electors of Marcellus Township. The Board of Directors may not issue debt nor levy taxes.

The Marcellus Township Wood Memorial Library, which is established by MCL 397.210, is governed by a 6-member Library Board elected by the electors of Marcellus Township. The Library Board may not issue debt nor levy taxes.

The complete financial statements of the individual component units are included within this report on audit of financial statements.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements (continued)**

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
(continued)

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund, Fire and Ambulance Fund and Police Fund are Special Revenue Funds of the Township. The Road Fund, Fire and Ambulance Fund and Police Fund are used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

Additionally, the government reports the following non-major fund types:

The Liquor Law Enforcement and Debt Service Funds are Special Revenue Funds of the Township. The Liquor Law Enforcement Fund is used to account for proceeds from the State of Michigan designated for police programs. The Debt Service Fund is used to account for debt repayments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Marcellus does not have enterprise funds.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Finally, the government reports the following fund types:

The Tax Collection and Trust & Agency Funds are Fiduciary Funds accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds. The Perpetual Cemetery Care Fund is a Fiduciary Fund accountable for care of general gravesites. Funds are restricted for this purpose.

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each July for State Education Tax, and on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the respective year, at which time penalties and interest are assessed.

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Fire Equipment	07 to 25 years
Vehicles	03 to 05 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Compensated absences and unpaid vacations were considered but not accrued due to immateriality in amount.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Government-wide financial statements differ from the Governmental fund financial statements for the effect of the inclusion of capital assets and long term debts.

Capitalized Asset Costs	\$ 83,544
Less Accumulated Depreciation	(19,813)
Capital Assets, net	63,731
 Governmental Fund Balances	 295,823
 Net Assets of Governmental Activities	 \$ 359,554

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund - Finance	\$ 13,550	\$ 14,435
General Fund - Treasurer	13,250	13,649
General Fund - Assessing	32,805	34,522
General Fund - Attorney	2,000	2,642

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government of federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash & Cash Equivalents	\$ 278,019	\$ 26,677	\$ 304,696	\$111,787

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 304,696	\$111,787
Investments in Securities, Mutual Funds and Similar Vehicles	-	-
Petty Cash and Cash on Hand	-	-
Total	<u>\$ 304,696</u>	<u>\$ 111,787</u>

The book balance of the primary government's deposits is \$304,696 of which \$120,310 is covered by federal depository insurance.

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 5 - RECEIVABLES**

Receivables as of year-end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	General Fund	Road Fund	Fire & Ambulance Fund	Police Fund	Non Major & Other Funds	Total
Taxes receivable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State share revenues receivable	35,728	0	0	0	0	35,728
Due from other funds	1,792	4,061	782	\$ 20,711	6,024	33,370
Less: Allowance for uncollectibles	0	0	0	0	0	0
Net Receivables	<u>\$ 37,520</u>	<u>\$ 4,061</u>	<u>\$ 782</u>	<u>\$ 20,711</u>	<u>\$ 6,024</u>	<u>\$ 69,098</u>

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Capital Assets Being Depreciated				
Buildings	63,750	-	-	63,750
Improvements other than buildings	10,399	-	-	10,399
Machinery and equipment	9,000	2,895	(7,500)	4,395
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>83,149</u>	<u>2,895</u>	<u>(7,500)</u>	<u>78,544</u>
Less Accumulated Depreciation for				
Buildings	14,250	1,500	-	15,750
Improvements other than buildings	1,386	694	-	2,080
Machinery and equipment	7,286	911	(6,214)	1,983
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>22,922</u>	<u>3,105</u>	<u>(6,214)</u>	<u>19,813</u>
Net Capital Assets Being Depreciated	<u>60,227</u>	<u>(210)</u>	<u>(1,286)</u>	<u>58,731</u>
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 65,227</u>	<u>\$ (210)</u>	<u>\$ (1,286)</u>	<u>\$ 63,731</u>

The Township assets have been evaluated according to GASB 34 guidelines. The Township owns cemetery property and an old school house where historical cost values are unknown. These assets are fully depreciated, as applicable, with unknown salvage values. The most recent asset acquisitions are recorded and depreciated.

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 3,105
Public safety	-
Public works	-
Economic development	-
Recreation and culture	<u>-</u>
Total Governmental Activities	<u>\$ 3,105</u>



**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 6 - CAPITAL ASSETS (Continued)**

Capital asset activity

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Component Units</b>				
Wood Memorial Library	\$ 415,316	\$ 25,184	\$ -	\$ 440,500
Hudson Memorial Building	121,327	15,243	-	136,570
Less Accumulated Depreciation	<u>(123,385)</u>	<u>(29,601)</u>	<u>-</u>	<u>(152,986)</u>
Net Book Value	\$ 413,258	\$ 10,826	-	\$ 424,084

The component units maintain separate facilities. The original structures were donated over 30 years ago. Building improvements have occurred over time. Most recently, the Library has completed a new addition to the original structure. The Township of Marcellus has financed this addition through the local bank to be repaid by a voter approved millage. The debt for this structure was paid off in full in March 2004. Library Books and other materials are considered material assets as a group and were included in capital asset totals.

Depreciation expense was changed to programs of the component units as follows:

Wood Memorial Library	\$ 24,461
Hudson Memorial Building	<u>5,142</u>
Total Culture & Recreation Activities	\$ 29,603

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Due To/From Other Funds</u> <u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Trust & Agency	\$ 1,792
Road Fund	Trust & Agency	763
Road Fund	General Fund	3,298
Fire & Ambulance Fund	Trust & Agency	782
Police Fund	Trust & Agency	611
Liquor Law Enforcement	General Fund	6,024
Police Fund	General Fund	<u>20,100</u>
Total primary government		<u>33,370</u>
Library Fund	Trust & Agency	1,357
Hudson Memorial Building	Trust & Agency	<u>529</u>
Total component units		<u>1,886</u>
Grand total		<u><u>\$ 35,256</u></u>

**Interfund Transfers**

<u>Transfers In</u>	<u>Transfers (Out)</u>		<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	
Library - Component Unit	\$ 0	\$ 3,671	\$ 3,671
Fire Special Millage Fund	<u>41,947</u>	<u>0</u>	<u>41,947</u>
Total	<u><u>\$ 41,947</u></u>	<u><u>\$ 3,671</u></u>	<u><u>\$ 45,618</u></u>

**TOWNSHIP OF MARCELLUS  
CASS COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 8 - TOWNSHIP DEBTS**

On September 21, 2001, the Township of Marcellus entered into an installment purchase agreement with a local bank for the financing of the Library addition construction. The principal debt of \$129,387 was to be repaid over 3 years at 5.5% interest rate. The repayment of this loan is financed by the 3 year tax collection of a special tax levy, approved by the voters. The Library is not authorized to collect taxes or incur debt itself. The Township of Marcellus facilitated this need.

The final debt payment of \$45,501 took place March 1, 2004.

	Beginning Debt Requirements <u>7/1/03</u>	<u>Payments</u>	Ending Debt Requirement <u>6/30/04</u>
Principal	\$ 43,129	\$ (43,129)	\$ 0
Interest	<u>2,372</u>	<u>( 2,372)</u>	<u>0</u>
	\$ 45,501	\$ (45,501)	\$ 0

**NOTE 9 - INTERGOVERNMENTAL CONTRACT**

The Township is a constituent unit of the Marcellus Area Emergency Services Association (MAESA). The Association was formed August 17, 1993, by joint resolution of the Village of Marcellus. MAESA provides fire protection and ambulance/rescue service to residents within and around the municipalities. Operating charges are supported by contribution from the participating local units, that take into account their respective state equalized values and charges for service.

**NOTE 10 - BUILDING INSPECTION SERVICES**

Public Act 245 of 1999 became effective January 1, 2000. This construction code act specified that a statewide code would apply to the plumbing, electrical, mechanical and building codes, dictating the township's involvement in these services. The Township of Marcellus has subcontracted this service to Marcellus Township Services for Building Inspection services. Marcellus Township receives no income, nor does it incur any expense. No special revenue fund exists at this time.

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF MARCELLUS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2004**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 59,806	\$ 59,806	\$ 59,806	\$ (0)
Resources (Inflows)				
Property taxes	65,000	65,000	64,910	(90)
State aid	112,500	112,500	111,265	(1,235)
Licenses and permits	1,750	1,750	0	(1,750)
Charges for services	9,000	9,000	14,560	5,560
Interest and rentals	1,200	1,200	510	(690)
Miscellaneous revenues	250	250	5,644	5,394
Transfers from other funds	0	0	0	0
Amounts Available for Appropriation	249,506	249,506	256,695	7,189
Charges to Appropriations (Outflows)				
General Government				
Township board	22,700	22,700	21,809	891
Supervisor	8,400	8,400	8,400	0
Finance	13,400	13,550	14,435	(885)
Treasurer	13,250	13,250	13,649	(399)
Assessing	30,150	32,805	34,522	(1,717)
Clerk	11,150	11,150	11,220	(70)
Elections	1,300	1,300	967	333
Other General Government				
Building and grounds	9,050	9,050	8,053	997
Attorney	2,000	2,000	2,642	(642)
Cemetery	30,800	30,800	28,936	1,864
Public Works				
Transfer station	1,500	2,300	0	2,300
Community/Economic development	4,400	4,400	1,186	3,214
Capital outlay	0	2,895	2,895	0
Transfers to other funds	43,000	43,000	41,947	1,053
Total Charges to Appropriations	191,100	197,600	190,661	6,939
Budgetary Fund Balance-June 30	<u>\$ 58,406</u>	<u>\$ 51,906</u>	<u>\$ 66,034</u>	<u>\$ 14,128</u>

**TOWNSHIP OF MARCELLUS  
BUDGETARY COMPARISON SCHEDULE  
MAJOR ROAD FUND  
YEAR ENDED JUNE 30, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 103,317	\$ 103,317	\$ 103,317	\$ 0
Resources (Inflows)				
Property taxes	45,000	45,000	46,434	\$ 1,434
State aid	0	0	3,298	\$ 3,298
Interest income	300	300	489	\$ 189
Other	2,000	2,000	4,294	\$ 2,294
Amounts Available for Appropriation	<u>150,617</u>	<u>150,617</u>	<u>157,832</u>	<u>7,215</u>
Charges to Appropriation (Outflows)				
Public Works				
Roads	<u>33,313</u>	<u>33,313</u>	<u>33,313</u>	<u>0</u>
Total Charges to Appropriations	<u>33,313</u>	<u>33,313</u>	<u>33,313</u>	<u>0</u>
Budgetary Fund Balance-June 30	<u>\$ 117,304</u>	<u>\$ 117,304</u>	<u>\$ 124,519</u>	<u>\$ 7,215</u>

**TOWNSHIP OF MARCELLUS  
BUDGETARY COMPARISON SCHEDULE  
FIRE AND AMBULANCE FUND  
YEAR ENDED JUNE 30, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 49,106	\$ 49,106	\$ 49,106	\$ 0
Resources (Inflows)				
Taxes and penalties	45,000	45,000	47,769	2,769
Interest income	200	200	190	(10)
Transfers from other funds	<u>43,000</u>	<u>43,000</u>	<u>41,947</u>	<u>(1,053)</u>
Amounts Available for Appropriation	<u>137,306</u>	<u>137,306</u>	<u>139,012</u>	<u>1,706</u>
Charges to Appropriations (Outflows)				
Public Safety				
Fire and ambulance	<u>93,000</u>	<u>93,000</u>	<u>89,990</u>	<u>3,010</u>
Total Charges to Appropriations	93,000	93,000	89,990	3,010
Budgetary Fund Balance-March 31	<u>\$ 44,306</u>	<u>\$ 44,306</u>	<u>\$ 49,022</u>	<u>\$ 4,716</u>

**TOWNSHIP OF MARCELLUS  
BUDGETARY COMPARISON SCHEDULE  
MAJOR POLICE FUND  
YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Beginning of Year Fund Balance	\$ 26,404	\$ 26,404	\$ 26,404	\$ 0
Resources (Inflows)				
Taxes and penalties	74,500	74,500	74,433	(67)
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Amounts Available for Appropriation	<u>100,904</u>	<u>100,904</u>	<u>100,837</u>	<u>(67)</u>
Charges to Appropriations (Outflows)				
Public Safety				
Police/sheriff	<u>67,200</u>	<u>67,200</u>	<u>50,613</u>	<u>16,587</u>
Total Charges to Appropriations	<u>67,200</u>	<u>67,200</u>	<u>50,613</u>	<u>16,587</u>
Budgetary Fund Balance-June 30	<u>\$ 33,704</u>	<u>\$ 33,704</u>	<u>\$ 50,224</u>	<u>\$ 16,520</u>



**TOWNSHIP OF MARCELLUS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004**

	Special Revenue Funds		Total Non-Major Governmental Funds
	Liquor Law Enforcement	Debt Service	
<b>Assets</b>			
Cash and cash equivalents	\$ 0	\$ 0	\$ 0
Investments	0	0	0
Receivables - net	0	0	0
Due from other funds	6,024	0	6,024
<b>Total Assets</b>	<u>\$ 6,024</u>	<u>\$ 0</u>	<u>\$ 6,024</u>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities</b>			
Accounts payable	\$ 0	\$ 0	\$ 0
Due to other funds	0	0	0
<b>Total Liabilities</b>	0	0	0
<b>Fund Balance</b>			
Reserved	6,024	0	6,024
Unreserved	0	0	0
<b>Total Fund Equity</b>	<u>6,024</u>	<u>0</u>	<u>6,024</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 6,024</u>	<u>\$ 0</u>	<u>\$ 6,024</u>

**TOWNSHIP OF MARCELLUS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2004**

	Special Revenue Funds		Total Non-Major Governmental Funds
	Liquor Law Enforcement	Debt Service	
Revenues			
Taxes and penalties	\$ 0	\$ 48,680	\$ 48,680
State Aid	633	0	633
Total Revenues	633	48,680	49,313
Expenditures			
Current			
Public safety	0	0	0
Debt Services	0	43,129	43,129
Principal	0	2,372	2,372
Interest			
Total Expenditures	0	45,501	45,501
Excess of Revenues Over (Under) Expenditures	633	3,179	3,812
Other Financing Sources (Uses)			
Operating transfers in	0	0	0
Operating transfers (out)	0	(3,671)	(3,671)
Total Other Financing Sources (Uses)	0	(3,671)	(3,671)
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	633	(492)	141
Fund Balance-July 1, 2003	5,391	492	5,883
Fund Balance-June 30, 2004	\$ 6,024	\$ 0	\$ 6,024

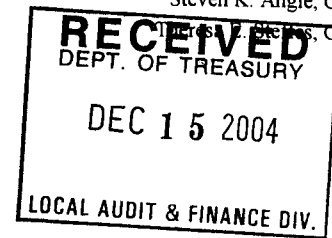
# CAMPBELL, ANGLE & STEFFES, P.C.

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November 23, 2004

In planning and performing our audit of the Financial Statements of the Township of Marcellus for the year ended June 30, 2004, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are an opportunity to strengthen internal control and increase operating efficiency. We offer the following items for your consideration.

## **Tax Collection Funds**

Tax collection procedures were actively followed in the period of audit. In the prior audit, we noted over \$34,000 in delinquent personal property taxes when collection procedures were not followed. During the current audit period, over \$12,000 was collected in taxes, interest and penalties. Repayment agreements were negotiated and enforced. We are aware that, in the four months following the current June 30, 2004 audit, another \$13,000 has been collected in delinquent tax, interest and penalties. We have again estimated an allowance for doubtful accounts, as a number of these accounts may not be collected due to the age of the accounts.

We commend the strong efforts of the Township's officials in correcting these delinquent tax accounts. Your continued diligence is necessary.

## **Cash Receipts and Disbursements Internal Controls**

Based on discussions with township officials, it is our recommendation to assess internal controls over cash receipts and disbursements. For proper controls, it is necessary for all receipts to be processed through the treasurer for bank deposit and receipt. Notice of the receipts need be communicated to the clerk and accountant for proper accounting and follow through. Our discussions included the receipts for sales of cemetery lots. These receipts are required to be followed up with deeds issued for cemetery plots. Your attention to this matter is required. The Township is responsible for maintaining proper documentation.

We recommend the following process for disbursement approval. The township clerk shall attach all invoice detail to the prepared check, missing only the appropriate dual approval signatures. These bundles shall be presented to the board of directors for approval. The checks should be signed by dual authorized signers and released only after the board is satisfied with the proposed disbursements and approval is noted in the minutes. Special

revenue fund disbursements should be prepared in the same manner.

Careful judgement should be used when disbursing funds outside of the normal process. If the township needs occasional disbursements before the next board meeting, the clerk should prepare the documentation and checks in the same manner, allowing the second township official to fully review the detail before signing. Follow up approval is required from the full board at the next regular meeting. The township board should identify specifically when this process is needed and which situations would apply for special treatment. We recommend that township disbursements be released through the normal process at all times if possible.

### **Excess of Expenditures Over Appropriations**

Public Act 621 of 1978, section 18(1) as amended, provides that the Township shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line functional basis. The approved budgets of the Township for these budgetary funds were adopted to the line item level.

During the year ended June 30, 2004, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund - Finance	\$13,550	\$ 14,435
General Fund - Treasurer	13,250	13,649
General Fund - Assessing	32,805	34,522
General Fund - Attorney	2,000	2,642

Overall, the Township is evaluating its budget on a regular basis.

### **Uninsured Funds**

The Township and component units utilize two banks, with a total of \$219,202 over the federally insured level as of June 30, 2004. We recommend that no more than \$200,000 be maintained in any one bank, \$100,000 limit each in savings and checking accounts, to avoid risk of uninsured losses that may occur.

### **Public Act 48, METRO ACT**

The METRO Act, relating to municipalities who have telecommunication facilities in their boundries, was effective in the year 2003. Those Townships that applied for funding have begun receiving monies from the State of Michigan's METRO Authority to be used strictly for "right of way purposes". The funds received by Marcellus Township in the current fiscal year, \$3,298.39, were deposited into the General Fund. These funds should be rerouted to the Road Fund and any future deposits directly deposited in the Road special revenue fund cash account. This ensures that these funds are used as specifically allowed by this act.

General

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all Township employees and officials.

Respectfully submitted,

*Campbell Angle & Steffes P.C.*

Campbell, Angle & Steffes, P.C.  
Certified Public Accountants